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CHANGE COMMISSION
D.C. 20549

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OMB APPROVAL

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FORM X-17A-5
PART III

SEC FILE NUMBER

8- 52590

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/09 AND ENDING 12/31/09
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: Partnervest Securities, Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

510 Castillo St. 2nd fl

(No. and Street)

Santa Barbara

CA

93101

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Kenneth R. Hyman

(805) 966-1266

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

McGowan Guntermann

(Name - if individual, state last, first, middle name)

509 E. Montecito St.

Santa Barbara

CA

93103

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

SEC Mail
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Section

MAR 01 2010

Washington, DC

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106

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

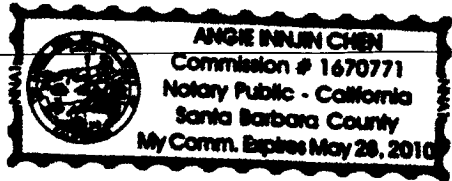
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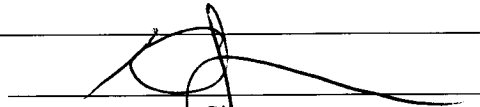
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OATH OR AFFIRMATION

I, Kenneth R. Hyman, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Partnervest Securities, Inc., as of December 31, 2009, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:




Notary Public


Signature
President and CEO
Title

This report ** contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☒ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

****For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

PARTNERVEST SECURITIES, INC.

FINANCIAL STATEMENTS
December 31, 2009

**INDEPENDENT AUDITOR'S REPORT TO THE
SECURITIES AND EXCHANGE COMMISSION**

PARTNERVEST SECURITIES, INC.

December 31, 2009

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1
Financial Statements:	
Statement of Financial Condition	2
Statement of Income	3
Statement of Changes in Stockholder's Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6 - 8
Supplementary Information:	
Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission – Schedule I	9
Supplemental Schedules II - III	10
Supplemental Report of Independent Auditors	
Independent Auditor's Report on Internal Control Required by SEC Rule 17a-5 for a Broker-Dealer Claiming an Exemption from SEC Rule 15c3-3	11 - 12



CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS

509 E. Montecito Street, 2nd Floor, Santa Barbara, CA 93103, 805.962.9175, fax 805.962.8925, www.mcgowan.com

INDEPENDENT AUDITOR'S REPORT

To the Stockholder of
Partnervest Securities, Inc.

We have audited the accompanying statement of financial condition of Partnervest Securities, Inc., (the Company) a wholly-owned subsidiary of Partnervest Financial Group LLC, as of December 31, 2009, and the related statements of income, changes in stockholder's equity and cash flows for the year then ended that you are filing pursuant to rule 17a-5 under the Securities and Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Partnervest Securities, Inc. as of December 31, 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

McGowan Guntermann

February 24, 2010

PARTNERVEST SECURITIES, INC.

STATEMENT OF FINANCIAL CONDITION
December 31, 2009

ASSETS

Cash	\$ 177,061
Accounts receivable	33,300
Prepaid expenses	<u>18,552</u>
 TOTAL ASSETS	 <u>\$ 228,913</u>

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities	
Accrued liabilities	<u>\$ 17,885</u>
 Stockholder's Equity	
Common stock, \$0.0001 par value, 1,000 shares authorized, issued, and outstanding at December 31, 2009	-
Additional paid-in-capital	104,205
Retained earnings	<u>106,823</u>
Total Stockholder's Equity	<u>211,028</u>
 TOTAL LIABILITIES AND STOCKHOLDER'S EQUITY	 <u>\$ 228,913</u>

The accompanying notes are an integral part of these financial statements

PARTNERVEST SECURITIES, INC.

STATEMENT OF INCOME
For the Year Ended December 31, 2009

REVENUE	
Commission income	\$ 1,989,214
Advisory income	1,819,653
Other	(449)
Interest	<u>253</u>
 Total Revenue	 <u>3,808,671</u>
 EXPENSES	
Representative commissions	1,421,889
Advisor fees	1,685,218
Allocated overhead	664,010
Insurance	94,516
Fees and renewals	36,238
Broker charges	(20,149)
Professional	13,700
Other - net of reimbursements	<u>(102,784)</u>
 Total Expenses	 <u>3,792,638</u>
 Income before Taxes	 16,033
 Provision for Income Taxes	 <u>3,609</u>
 Net Income	 <u>\$ 12,424</u>

The accompanying notes are an integral part of these financial statements

PARTNERVEST SECURITIES, INC.

STATEMENT OF CHANGES IN STOCKHOLDER'S EQUITY
For the Year Ended December 31, 2009

	<u>Common Stock Shares</u>	<u>Amount</u>	<u>Additional Paid-In Capital</u>	<u>Retained Earnings</u>	<u>Total Stockholder's Equity</u>
Balance at December 31, 2008	1,000	\$ -	\$ 104,205	\$ 94,399	\$ 198,604
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,424</u>	<u>12,424</u>
Balance at December 31, 2009	<u>1,000</u>	<u>\$ -</u>	<u>\$ 104,205</u>	<u>\$ 106,823</u>	<u>\$ 211,028</u>

The accompanying notes are an integral part of these financial statements

PARTNERVEST SECURITIES, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

CASH FLOWS FROM OPERATING ACTIVITIES

Net income	\$ 12,424
Adjustments to reconcile net income to cash provided by operating activities:	
Changes in:	
Accounts receivable	40,098
Prepaid expenses and deposits	28,286
Accrued liabilities	<u>(76,538)</u>

NET CASH PROVIDED BY OPERATING ACTIVITIES 4,270

CASH - Beginning of year	<u>172,791</u>
End of year	<u>\$ 177,061</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Cash paid for interest	\$ 3,042
Cash paid for income taxes	\$ 4,171

The accompanying notes are an integral part of these financial statements

PARTNERVEST SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

A. Organization and Related Party Transactions

Partnervest Securities, Inc. (the Company), was incorporated in the State of Delaware on November 9, 1999. The Company is a wholly-owned subsidiary of Partnervest Financial Group, LLC (PFG). The purpose of the Company is to perform broker-dealer services for investors and the advisors who serve them. The Company is registered as a broker-dealer in securities under the Securities Exchange Act of 1934. It does not hold customer funds nor safekeep customer securities. The Company's corporate office is at 510 Castillo Street, Santa Barbara, California, which also serves as the home office and Office of Supervisory Jurisdiction (OSJ).

The Company has an expense agreement with PFG, the parent company of Partnervest Securities, Inc. The agreement calls for PFG to provide certain administrative goods, services, and overhead to the Company. The Company is solely responsible for its own expenses, and any expenses reasonably attributable to it which are paid by PFG shall either be reflected on the financial statements of the Company or subject to an exemption from being reflected on such books in accordance with NASD Notice to Members 03-63 and other applicable laws and regulations.

During 2009 the Company reimbursed PFG for \$713,349 of overhead expenses, with all payments being made during the year. Additionally, the Company reimbursed PFG \$53,467 for payments to corporate representatives. There was one open payable of \$17,756 to PFG at year end to reimburse PFG for representative errors and omissions insurance collections higher than the insurance expense allocated during the year.

The Company paid Partnervest Advisory Services (PAS), a related company through common ownership, \$1,737,874 for advisory services income collected by the Company. PAS paid \$130,341 to the Company for those services. There were no open receivables/payables to PAS at year end.

On June 26, 2009, Partnervest Financial Group LLC entered into an asset purchase agreement with Sorrento Pacific Financial, LLC, (SPF), CUSO Financial Services, L.P., (CFS) and CUSO Financial Services, Inc., (collectively the Sorrento Group).

Provisions of the purchase agreement include:

- Capital contribution into Partnervest Financial Group in exchange for minority ownership of 15% of Partnervest Financial, advisory board representation on the Partnervest Advisory Board by CFS, and sharing of certain management fees earned on assets introduced by CSF or SPF to Partnervest Advisory;
- Transfer and sale of substantially all of the brokerage assets of Partnervest Securities, Inc. to SPF in exchange for cash, potential commission earn-outs and 15% minority ownership of SPF, subject to reductions based on certain milestones;

PARTNERVEST SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

A. Organization and Related Party Transactions (continued)

- Enhanced potential distribution and marketing of the Partnervest Advisory Services LLC asset management platform, and
- Assistance with back office operations of the Partnervest Companies by the Sorrento Group in exchange for fees.

B. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results could differ materially from those estimates.

C. Commissions

Commissions are recorded on a trade-date basis as securities transactions occur. After the asset purchase agreement, Partnervest Securities became a limited purpose broker-dealer, whose only income would be from earn-out revenue paid by SPF.

D. Cash and Cash Equivalents

The Company considers all highly-liquid financial instruments with a maturity of three months or less to be cash equivalents.

E. Concentration of Securities Services

The Company had a clearing agreement with one securities corporation to handle all of their security transactions. This clearing agreement was cancelled upon closing of the asset purchase and transfer of all accounts to SPF.

The Company maintains bank accounts in a commercial bank located in Santa Barbara, California. The accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. There were no uninsured cash amounts at December 31, 2009.

As of August 2009, all customer accounts were transferred to SPF, which uses the same custodian as did Partnervest Securities. There were no uninsured cash amounts at December 31, 2009.

PARTNERVEST SECURITIES, INC.

NOTES TO THE FINANCIAL STATEMENTS

F. Income Taxes

The Company is a C corporation and files income tax returns for federal and California income tax purposes. Income tax assets, liabilities, expense and deferred taxes are computed under the liability method under generally accepted accounting standards.

Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax basis of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates. At this time there are no differences.

Income tax expense consists of the following:

Current:	
Federal	\$ 2,192
California	<u>1,417</u>
 Total Income Tax Expense	 <u>\$ 3,609</u>

The Company has no tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly increase or decrease within twelve months of December 31, 2009, nor any interest or penalties associated with income taxes. The Company is not subject to income tax examinations for years before 2006.

G. Regulatory Requirements

As a registered broker-dealer with the Securities and Exchange Commission and the National Association of Securities Dealers, Inc., the Company was subject to the Securities and Exchange Commission Uniform Net Capital Rule 15c3-1 (the Rule) which requires the maintenance of minimum net capital equal to the greater of \$50,000 or 6.66% of aggregate indebtedness, both as defined by the Rule.

When the Company became a limited purpose broker-dealer in August 2009, the amount was reduced to \$5,000. At December 31, 2009, the Company had net capital of \$182,083, which was \$177,083 in excess of its required net capital of \$5,000.

H. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through February 24, 2010, the date of the financial statements.

SUPPLEMENTARY INFORMATION

PARTNERVEST SECURITIES, INC.

SUPPLEMENTAL SCHEDULES

December 31, 2009

Schedule I

Computation of Net Capital under Rule 15c3-1 of the Securities and Exchange Commission

	Accounts From		
	Audited Financial Statements	Unaudited Focus Part II	Difference Increase (Decrease)
Total Stockholder's Equity	\$ 211,028	\$ 211,028	\$ -
Deductions and/or Charges			
Non-allowable assets:			
CRD cash balance	192	192	-
Accounts receivable from brokers or dealers	10,201	10,201	-
Prepaid expenses	<u>18,552</u>	<u>18,552</u>	<u>-</u>
Net Capital Before Haircuts	182,083	182,083	-
Haircuts on Securities	<u>-</u>	<u>-</u>	<u>-</u>
Net Capital	<u>\$ 182,083</u>	<u>\$ 182,083</u>	<u>\$ -</u>
Aggregate indebtedness:			
Items included in the statement of financial condition:			
Accrued liabilities	<u>\$ 17,885</u>	<u>\$ 17,885</u>	<u>\$ -</u>
Total aggregate indebtedness	<u>\$ 17,885</u>	<u>\$ 17,885</u>	<u>\$ -</u>
Computation of basic net capital requirement:			
Net Capital	\$ 182,083	\$ 182,083	\$ -
Minimum net capital required (6.666% of aggregate indebtedness or \$5,000, whichever is greater)	<u>(5,000)</u>	<u>(5,000)</u>	<u>-</u>
Excess net capital	<u>\$ 177,083</u>	<u>\$ 177,083</u>	<u>\$ -</u>
Ratio: aggregate indebtedness to net capital	<u>9.82%</u>	<u>9.82%</u>	<u>0.00%</u>

The accompanying notes are an integral part of these financial statements

PARTNERVEST SECURITIES, INC.

SUPPLEMENTAL SCHEDULES
December 31, 2009

Schedule II

Determination of the Reserve Requirements under Rule 15c3-3 of the Securities and Exchange Commission

The Company is exempt from the reserve requirement of computation according to the provision of Rule 15c3-3 (k)(2)(ii).

Schedule III

Information Relating to Possession or Control Requirements under Rule 15c3-3

The Company is exempt from the Rule 15c3-3 as it relates to possession and control requirements under the (k)(2)(ii) exemptive provision.